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Office Memorandum • UNITED STATES GOVERNMENT

TO : Chief, D/A

DATE: 19 October 1951

FROM : A/E

SUBJECT: Some Aspects of the International Materials Conference

The initiative in the formulation and execution of the US export policy at the present time rests largely with the Department of Commerce and a system of interagency committees, i.e., Advisory Committee on Export Policy, Operating Committee, R Procedure Committee and the Special Committee on East-West Trade. The CIA is represented on these committees.

Internationally, the US export policy is expressed through participation in COCOM, which deals with international control of exports of strategic materials to the Communist countries. Indirectly, the CIA provides intelligence support to the US delegation to COCOM.¹

Another international body came into existence early in 1951, whose operation bears directly on the US export policy. This is the International Materials Conference, whose committees undertake to allocate internationally a number of strategic commodities which are in short supply all over the world. CIA is not represented on the interagency committees advising the US delegates to the IMC.

It is important that the US delegates be fully aware of the security aspects of international allocation due in part to the fact that the IMC is concerned primarily with supply considerations. It was brought out at a recent meeting that:

- (1) The IMC does not yet require end-use screening.
- (2) Some of the countries receiving allocations from the IMC on the basis of need would not receive such an allocation from the OC on security grounds because they continue to sell critical commodities to Communist countries.
- (3) The IMC has not yet developed in practice a consistent policy with regard to requirements for strategic stockpiles.²
- (4) The allocations of the IMC are merely agreements not to buy up above the prescribed level; the US Operating Committee quotas are in effect likely to be filled; i.e., there is considerable assurance that amounts authorized would be exported.
- (5) The IMC has not yet developed a system of checks. An honor system is in force for the time being.

The IMC is the collective title of a group of separate international commodity committees charged with reviewing the supply position for essential

- 1 For the sake of completeness it may be added that internationally the US export policy also finds expression at the United Nations Organization-- such as participation in the embargo of strategic materials to Communist China and North Korea.
- 2 The US delegates have argued that the US strategic stockpile should be one of the determinants of the quota. The position of other delegates varies

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materials which are in short supply or in danger of becoming so, and with recommending to governments measures for increasing supplies and insuring equitable distribution of such materials through the free world. The US, UK and France invited interested countries to participate in the new organization in January 1951.

A Central Group was formed initially of these three countries but has since expanded to a membership of nine major countries together with representatives from the OAS and the OEEC. The chairman of the Central Group is Lord Knollys, Minister of British Embassy in charge of raw materials. The US delegate to Central Group is Mr. G. J. Ticoulat, Deputy Administrator of DPA. The US delegates operate under a mandate of the President of the US and Mr. Charles Wilson, Director of Defense Mobilization. The top US guiding body concerned with the IMC is the DPA which appoints the US delegates and provides overall policy objectives. The US representatives on each of the commodity committees are assisted by special interagency Advisory Committees.

To date seven commodity committees have been formed under the Central Group with 27 countries participating.¹ They are concerned with the following commodities:

1. Copper, lead, zinc
2. Sulphur
3. Cotton, cotton linters
4. Tungsten, molybdenum
5. Manganese, nickel, cobalt
6. Wool

It is these commodity committees which establish quarterly allocations for member countries, i.e., limits above which the countries are "advised" not to buy in world markets. There is no attempt to physically apportion available supplies of scarce commodities, or to influence flow of trade or directly to affect prices.

Through the system of interagency committees, the US delegates to IMC have begun to participate in the formulation of the US export policy. Their recommendation, as time goes on, may be the deciding factor in the determination of the US export quotas for certain commodities.

An example is the quasi-joint meeting of the Operating Committee and the Interagency Advisory Committee to the US delegation on IMC Tungsten Molybdenum Committee on 3 October.

The Interagency Advisory Committee on tungsten and molybdenum met formally while members of the Operating Committee sat by as observers. When the Advisory Committee meeting ended the OC met formally with the Interagency Advisory Committee members sitting by as observers and as technical advisors. It was stressed by the chairman of both committees that this meeting was not a precedent. The background of the meeting is as follows: During the past

1 W. C. Armstrong "The International Materials Conference" in US Department of State Bulletin, 2 July 1951.

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month the US delegation to IMC had sought to obtain a larger fourth quarter allocation of tungsten for the US. The current US tungsten position is not as satisfactory as is desired. The country largely depends on imported tungsten. However, the US is the largest producer of molybdenum and the US export quota of molybdenum has a serious effect on the world's supply. The Operating Committee on learning of this situation through its chairman, several weeks ago, withheld its action on fourth quarter export quotas for molybdenum and its products, which was overdue, until more was learned of the US negotiations at the IMC. Instead the Operating Committee approved a small temporary quota so as not to halt the licensing work of the OIT.

At the meeting of 3 October the Interagency Advisory Committee to the US delegates on Tungsten Molybdenum Committee, voted to reject the proposed IMC fourth quarter tungsten allocations feeling that the US share was disproportionately small.

The Operating Committee at its meeting set a fourth quarter molybdenum quota somewhat below that of the preceding third quarter so as to strengthen the negotiating position of the US delegates at IMC. Should dire need arise, a supplementary quota may be set in the future by the OC. The quota set was deemed satisfactory to the US delegate to the IMC Tungsten Molybdenum Committee. Thus the US export policy was coordinated with US international negotiations.

One of the several interesting facts brought out at the Advisory Committee meeting is the absence of a firm agreement on a system to be used by the IMC committees in determining the national "quotas" for tungsten and molybdenum. The US delegates think that allocations should be made on basis of current needs including the US strategic stockpiles. The Western countries appear to favor a historical pattern approach, with less attention paid to current needs.

Insofar as obtaining of information is concerned, it appears that production, trade and other commodity statistics collected by the IMC complex (which include authoritative future forecasts) are not transmitted to the CIA. Complete files are available for use of US government personnel in the office of Mr. Willis Armstrong, State Department (Special Assistant, Office of International Materials Policy).

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